



WISCONSIN REGULATORY DIGEST

Volume 7, No. 2 **A Publication of the REAL ESTATE APPRAISERS BOARD** **November, 2000**

Board Member Information

James Caven, Madison, resigned his position as a public member of the Board, effective March 8, 2000, after serving on the Board for 5 years. Members of the Board wish to recognize and commend Mr. Caven on his dedication and years of services to the Board and the citizens of Wisconsin.

New Credential Holder Query

Be sure to check out the Department's new credential holder query feature on the Internet. You will find it at <http://www.drl.state.wi.us>. By accessing this site you will be able to verify whether an individual or business entity holds or has held a license in any of the professions regulated by the Department.

Licensing Statistics

The number of active licensees, as of October 6, 2000:

Licensed Appraiser	496
Certified Residential Appraiser	874
Certified General Appraiser	611

Rising To The Level Of Your Incompetence Is A Very Good Way Of Getting Into Trouble!

Being a real estate appraiser is an honor and privilege. You are paid a fee for your judgement based on your

training, experience and your competence! However, are you really competent to earn that fee?

One of the biggest reasons that some appraisers experience having to defend themselves from charges by irate clients or other appraisers is because of their incompetence in completing certain appraisal assignments and their inability to recognize their own incompetence – but real estate appraisers are not alone! In a recent article from the New York Times, that was reprinted in the St. Paul Pioneer Press, Dr. David Dunning, a professor of psychology at Cornell University in New York worries about his own incompetence because, according to his research, most incompetent people do not know that they are incompetent.

Professor Dunning performed his research with one of his grad students, Justin Kruger, who is now an assistant professor at the University of Illinois. They found that people who do things badly are usually extremely confident of their abilities. In fact, they are more confident than people who do things well.

These two researchers in an article in the December issue of the Journal of Personality and Social Psychology suggested that incompetent people suffer doubly. "Not only do they reach erroneous conclusions and make unfortunate choices, but their incompetence robs them of the ability to realize it. Incompetent individuals also are apparently less able to recognize competence in others." The psychologist said that the findings support Thomas Jefferson's assertion that "He who knows best, knows how little he knows."

THE WISCONSIN REAL ESTATE APPRAISERS BOARD

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Professor Dunning also says that his current research and past studies indicate that there are many reasons people tend to over-estimate their competency and not be aware of it.

Professor Dunning also points out that in some cases, an awareness of one's own inability is inevitable: "In a golf game, when your ball is heading into the woods, you know you're incompetent." In other situations feedback is absent, or at least ambiguous.

Are you truly competent to perform your next appraisal assignment? The more confident you are (that you are competent) – the more likely chances are that you're not! Think about it!

How to Improve Your Competency Factor

Some day, somewhere, you are going to be asked to do an appraisal of a type of property that you have no experience in appraising. Do you accept the assignment? If you reject it, obviously you do not have a problem, and that is usually the wisest decision. If, however, for whatever reason you decide to accept the assignment, there will be several steps you should take if you are prudent and have a strong desire to stay out of trouble.

- Inform your client (preferably in writing) that you have no experience in appraising the type of property you have been asked to appraise.
- Ally with another appraiser whom you know is experienced, proficient and competent in performing an appraisal on the type of property in question and work together to complete the appraisal assignment. The benefit to the client is that the appraisal will be performed competently. The benefits to you are that you will stay out of trouble and gain some valuable experience.
- Obtain as much education as possible about the type of property you will be appraising by attending a course or seminar on the subject and by reading informational materials about this type of property **before** starting work on the assignment.
- Describe the lack of knowledge and/or experience and the steps taken to complete the assignment competently in the report.
- Prepare the appraisal as if it were a complete, self-contained report that you will be expected to defend in court. Have a colleague play the devil's advocate and attempt to uncover weaknesses in your report. When you are satisfied with the report, write the final report but call it a *summary* report.

Possible resources:

Competency Rule of the Uniform Standards of Professional Appraisal Practice (USPAP)

The Appraisal of Real Estate, latest Edition, published by the Appraisal Institute, 875 N. Michigan Avenue, Chicago IL 60611-1980.

Encyclopedia of Real Estate Appraising, Prentice-Hall, Inc., Englewood Cliffs, NJ.

Real Estate Valuation in Litigation, latest Edition, by J.D. Eaton, MAI, SRA, published by the Appraisal

Institute, 875 N. Michigan Avenue, Chicago IL 60611-1980.

American Society of Appraisers, 555 Herndon Parkway #125, Herndon VA 20170, (703-478-2228).

The Internet.

Proposed Changes For The 2001 USPAP Edition

Below are excerpts from a report prepared by the Appraisal Standards Board. The entire report can be found on the Internet at <http://www.appraisal.foundation.org/ASBSummary7-10.pdf>.

The ASB received approximately 98 letters expressing a wide range of opinion on the second Exposure Draft, dated May 4, 2000, of proposed changes for the 2001 edition of the *Uniform Standards of Professional Appraisal Practice* (USPAP). Some letters included general observations and questions, others included editorial recommendations, while still others explicitly approved or disapproved of all or parts of the Exposure Draft.

The exposure process was designed to allow all interested parties to express their opinions about proposed USPAP changes. Though exposure is not itself an approval process, the ASB does maintain a categorized tally of the comments. Comments of a general nature, or those that were not specific to the proposed text, were noted but not categorized.

The following table shows the number of explicit approvals or disapprovals for each specific part of the second Exposure Draft. A positive result means the number of approvals outnumbered the disapprovals. A negative result means the number of disapprovals exceeded the approvals and a neutral result occurred when they were equal. Comments received that did not include explicit remarks on a specific part are not in the count shown in this table.

Part	A	B	C	D	E	F	G	H	I	J	K
Count	16	12	15	17	16	12	11	15	16	11	10
Results	Pos	Pos	Neg	Pos	Pos	Pos	Pos	Neu	Neg	Pos	Pos

Pos = Positive, Neg = Negative, Neu = Neutral

With the exception of parts C, H and I, the comments were overall favorable. Parts C and I had negative results and Part H was neutral, with as many comments for as against.

Although the second Exposure Draft contained several parts, the proposals addressed four primary areas of professional practice. These are:

1. When USPAP applies, particularly if the service provided by an appraiser is a type of consulting. Parts A, B, C, and I addressed this area.
2. Appraisal review, particularly when an assignment's purpose includes an opinion of value by the reviewer. Parts E and G addressed this area.
3. An appraiser's responsibilities when signing the certification required in all assignments, and when performing assignments that include Supplemental Standards. Parts D and F addressed these areas.

4. An appraiser's obligations when performing assignments for the purpose of market value, including those for use by federally insured depository institutions in federally related transactions, how the scope of work is affected in a market value appraisal of real property, and how the purpose and intended use of a real property appraisal influence the scope of work. All of these resulted from input by two work groups, the Appraisal Institute's Appraisal Standards Council and an Inter Agency Work Group composed of several agencies within the Federal Financial Institutions Examination Council. Parts A, H, J, and K addressed these areas.

[The summary of issues and deliberations leading to the actions of the ASB regarding each part of the second Exposure Draft can be found on its website at https://www.appraisalfoundation.org/ASB_Summary7-10.pdf.]

Conclusion

The ASB sincerely appreciates the efforts made by all those who provided comments on the Exposure Draft,

particularly in light of the variety, as well as the scope, of the issues addressed. The written and spoken comments greatly aided the ASB in its effort to ensure that its actions were appropriate and balanced.

The ASB will make every effort to ensure that all interested parties are informed of changes that will appear in the 2001 edition of USPAP. In addition to this summary, copies of the final, pre-publication adopted or approved changes will be available for review on the Appraisal Foundation's Web site. Publication of the 2001 edition of USPAP is scheduled for late September or early October, well in time for appraisers, educators, regulators, and enforcement bodies to review and become familiar with this new standards document. The schedule for USPAP update sessions for instructors and enforcement officials will be posted on the Foundation's Web site as soon as it is finalized. The 2001 National Uniform USPAP Course will also be updated to reflect the actions taken by the ASB at its July 10, 2000 meeting.

CONTINUING EDUCATION

Every appraiser must complete 28 hours of continuing education in each biennial renewal period. At least 4 of these hours must include instruction in the professional standards and code of ethics applicable to appraisers. Continuing education hours may be applied to the continuing education requirements for the biennial renewal period in which the hours were acquired and may not be carried over to the next biennial renewal period. The current biennial renewal period will end on December 31, 2001. That is the deadline for obtaining the required education. If an appraiser does not complete the education on time, his or her credential will not be renewed and he or she will not be permitted to use certain titles.

A person who initially receives a credential during the biennial renewal period must complete the continuing education, even though he or she has held the credential for only four or five months, for example, before the deadline date. The only exception to this policy is when a person receives a new credential after the date the renewal notices have been mailed to current appraisers. The persons who fall under the exception will receive a credential that expires at the end of the **following** biennial renewal period, and they will not be required to report continuing education courses until the credentials are renewed.

Disciplinary Actions

JOHN F. ROCHE

COLUMBUS WI

REPRIMAND/COSTS

Carelessly and incompetently performed appraisals that would be both misleading and potentially harmful to the public. Effective 6/28/2000. Sec. 458.26(3)(b),(c), Stats. RL 86.01(1),(2),(6) Case #LS0006281APP

MICHAEL A SCHNEIDER

NEW BERLIN WI

REVOKED/COSTS

Pled guilty to knowingly devising and participating in a scheme to defraud mortgage brokers and lenders; and as part of the scheme, he falsely represented that he was a licensed appraiser when in fact he was no longer a licensed appraiser, and altered an expired license to misrepresent that he was a licensed appraiser. Caused writings and sounds to be transmitted by

means of an interstate wire communication. Effective 4/27/2000. Secs. 458.055(1),(3), 458.26(3)(d), Stats. Case #LS9909291APP

THOMAS J YOUNK

POUND WI

REVOKED/COSTS

Convicted of conspiracy to commit mail fraud. Effective 4/26/2000. Sec. 458.26(3)(d), Stats. Case #LS9910201APP

JAMES R BONEHAM

MARINETTE WI

SUSPENDED/COSTS

Comparisons that were listed as sold did not sell on the stated date. Property not in legal compliance with zoning as documented. Suspended 7/16/2000-7/30/2000 and 10/15/2000-10/28/2000 Effective 6/28/2000. RL 86.01(1),(2),(2a) Case #LS0006282APP

Department of Regulation and Licensing
Real Estate Appraisers Board
P.O. Box 8935
Madison, WI 53708-8935

RETURN SERVICE REQUESTED

REGULATORY DIGEST

Bulk Rate
U.S. Postage
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Permit No. 1369

Telephone Directory

The Division of Business Licensure & Regulation has a menu telephone system which is designed to more efficiently direct the caller to the appropriate section. The telephone number for staff is:

(608) 266-5511

After dialing this number you are asked to press 1, 2, 3 or 4. For the following requests, please press extension numbers as noted:

Application Forms	Ext. 11
Complaints Against Licensees	Ext. 12
Application Processing & Requirements	Ext. 42
Whether A Person Is Registered	Ext. 442
Fax Number	(608) 267-3816

Board Meeting Dates in 2001

February 28, April 25, June 27, August 22, October 31
All meetings are held at 1400 E. Washington Avenue, Madison WI, and are open to the public. Meetings are subject to cancellation without notice. Please call to confirm dates.

Visit the Department's Web Site

www.drl.state.wi.us

For our new "Online Verification of Credential Holders" click on the "Credential Holder Query" button.

Copies of the Regulatory Digest are on the Web.

Send comments to dorl@drl.state.wi.us

Wisconsin Statutes and Code

Copies of the "Statutes and Administrative Code for the Real Estate Appraisers Board" can be ordered from the

Department. Include your name, address, county and a check payable to the Department of Regulation and Licensing in the amount of \$5.28. The latest edition is dated February, 2000.

Change of Name or Address?

Please photocopy the mailing label of this digest, make changes in name or address, and return it to the Department. Confirmation of changes is not automatically provided.

SECTION 444.11, STATS., ALLOWS FOR A \$50 PENALTY TO BE IMPOSED WHEN CHANGES ARE NOT REPORTED WITHIN 30 DAYS.

Subscription Service

Bi-annual digest subscriptions are published for all credentials in the Department at a cost of \$2.11 each per year. CREDENTIAL HOLDERS RECEIVE THEIR REGULATORY DIGEST FREE OF CHARGE. Others may send the fee and this form to the address listed above.

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